



Legislative Update 3: April 2022

The purpose of this update is to give a brief overview of recent legislation issued under the Income Tax Acts.

LN 98/2022	Pensions (Tax Exemption) Rules
LN 99/2022	Interest and Additional Tax (Adjustment) Rules
LN 103/2022	Donations (Community Chest Fund) (Amendment) Rules
LN 104/2022	Qualifying Employment in Aviation (Personal Tax) (Amendment) Rules
LN 117/2022	Double Taxation Relief on Taxes on Income with the Republic of Poland (Amendment) Order – Commencement Notice
LN 120/2022	Income Tax Exemption (Amendment) Order
LN 121/2022	Exemption from Tax on Certain Property Transfers (Amendment) Rules



Pensions (Tax Exemption) Rules, 2022

Tax on pension income is already relieved under the Tax Rebate (Pensioners) Rules (SL 123.174). Those rules grant a tax credit equal to the tax on pension income, subject to capping. The effect of that rebate is that while pension income (up to the allowed maximum) is not subject to tax, the non-taxed amount is taken into account in determining the tax rates on other income.

The exemption under this Legal Notice will mean that the exempted portion of the pension will be ignored in the computation of the tax. The Legal Notice grants a tax exemption on 20% of pension income derived during 2022, increasing annually to 40%, 60%, 80% and 100% of the pension income in subsequent years.

“Pension income” has the same meaning that it has under the Tax Rebate (Pensioners) Rules, that is defined as, “income from any pension chargeable to tax under Article 4(1)(d) of the Income Tax Act” derived by individuals “who were at least 61 years of age in the year when such pension was received”.

Interest and Additional Tax (Adjustment) Rules, 2022

This Legal Notice adjusts the interest rate on tax arrears from 0.33% to 0.6% per month, to reflect current realities. The new rate applies as from 1 June 2022.

By way of a consequential amendment, the proposed rules also provide for a similar adjustment to the additional tax chargeable on late payments of provisional tax.

Donations (Community Chest Fund) (Amendment) Rules, 2022

In terms of this Legal Notice, the rules applicable to donations made by companies to the Malta Community Chest Fund (MCCF) were extended so that these would apply to donations made in basis year 2021.

By virtue of such rules, where a company makes a donation of not less than €2,000 to the MCCF, such a donation may be claimed as a deduction against its income, provided that a certificate is issued by the said MCCF and attached with the company’s income tax return.



Qualifying Employment in Aviation (Personal Tax) (Amendment) Rules, 2022

The Qualifying Employment in Aviation Rules grant the benefit of a 15% tax rate on income derived by non-domiciled persons employed in key positions and possessing the relevant qualifications in companies engaged in aviation. The benefit is for a period of 5 years, commencing from the year of assessment in which the individual is first liable to tax in Malta, which period may be extended for a further 5 years.

This Legal Notice provides an amendment that allows a further extension of 5 years, making the benefit available for a maximum period of 15 consecutive years. The possibility of two extensions instead of one is in line with amendments that were made in 2021 to the Highly Qualified Persons Rules.

Double Taxation Relief on Taxes on Income with the Republic of Poland (Amendment) Order – Commencement Notice

Commencement notice on the coming into force, as of March 2022, of the amendments to the Protocol to the double tax treaty with Poland.

Income Tax Exemption (Amendment) Order

This Order exempts from tax non-contributory benefits paid by the Department of Social Security as well as other benefits listed in the Schedule to the Order. The Schedule has been updated through this amendment and now comprises the following:

- Sickness Benefit
- Disability Assistances and Assistance for the Visually Impaired
- Benefits in respect of Injury at Work
- Social Assistance
- Unemployment Benefit
- Special Unemployment Benefit
- Age Pension
- Orphan's Allowance
- Marriage Grant
- Maternity Benefit
- Children's Allowance
- Foster Care Allowance
- Disabled Child Allowance



Exemption from Tax on Certain Property Transfers (Amendment) Rules

This Legal Notice extends the applicable period of the reduced final withholding tax of 5% instead of the normal rates of 8% or 10% on transfers of immovable property situated in Malta (on the first €400,000 of transfer value).

The original Rules provided for a reduction of tax payable on property transfers made not later than 31 March 2021 and was subsequently extended.

This amendment extends the applicability of the reduced rate to transfers where the publication of final deed is made up to the end of September 2022, but the promise of sale had been made up to December 2021.